

# Auditing for Outcomes

Value proposition of Internal Audit in Government

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# Wanted

Do you have the ability to see the library for the books? Can you be critical and strategic, yet constructive and pragmatic? Are you bored with routine or compliance audits?

If you're thinking yes, YES and **YES!** – Please read on.

The Internal Audit Group at the Ministry of Education has a new agenda that is strongly focused on priority outcomes. Our primary purpose is to provide the Leadership Team with timely assurance and strategically relevant insights on the Ministry's operations and initiatives. Auditing for outcomes is not prescriptive, easy or straightforward, but anything less misses the point.

We are looking for a talented professional who has that rare mix of competencies that includes policy analysis or development, programme evaluation, performance auditing, and general experience in the public service. You will have a tertiary qualification and 5 – 10 years of post-graduate audit experience in either a professional services firm or a large commercial organisation or have equivalent policy experience in government. We recognise this is a tall order, but great things are achieved with lofty ambitions and fine talent.

If you're equally ambitious and want to join our endeavour, we would be delighted to hear from you.

# Caveat

**This is neither gospel nor rocket science, but the cumulative experience of ...**

- Commercial sales & marketing
- Multinational private sector internal audit
- Multinational & state sector programme change management
- Professional services in risk assurance
- Public service internal audit (one year and counting ...)

# Value of Internal Audit

## Assurance

- Governance, risk and internal control

## Objectivity

- Integrity, accountability and independence

## Insight

- Analyses, assessment and **catalyst for change**

# Private sector *c.f.* public sector

## Some Similarities

- Goals and performance targets
- Business activities and change initiatives
- People, process, technology to deliver goods or services
- Money

## Some Differences

- Profit orientation vs public good objectives
- Political agendas & directives
- Span of control
- Statutory powers and obligations

# 4 important questions

## **Objective**

On what outcomes is the business focused on delivering, and why are these outcomes important?

## **Design**

How will these outcomes be achieved?

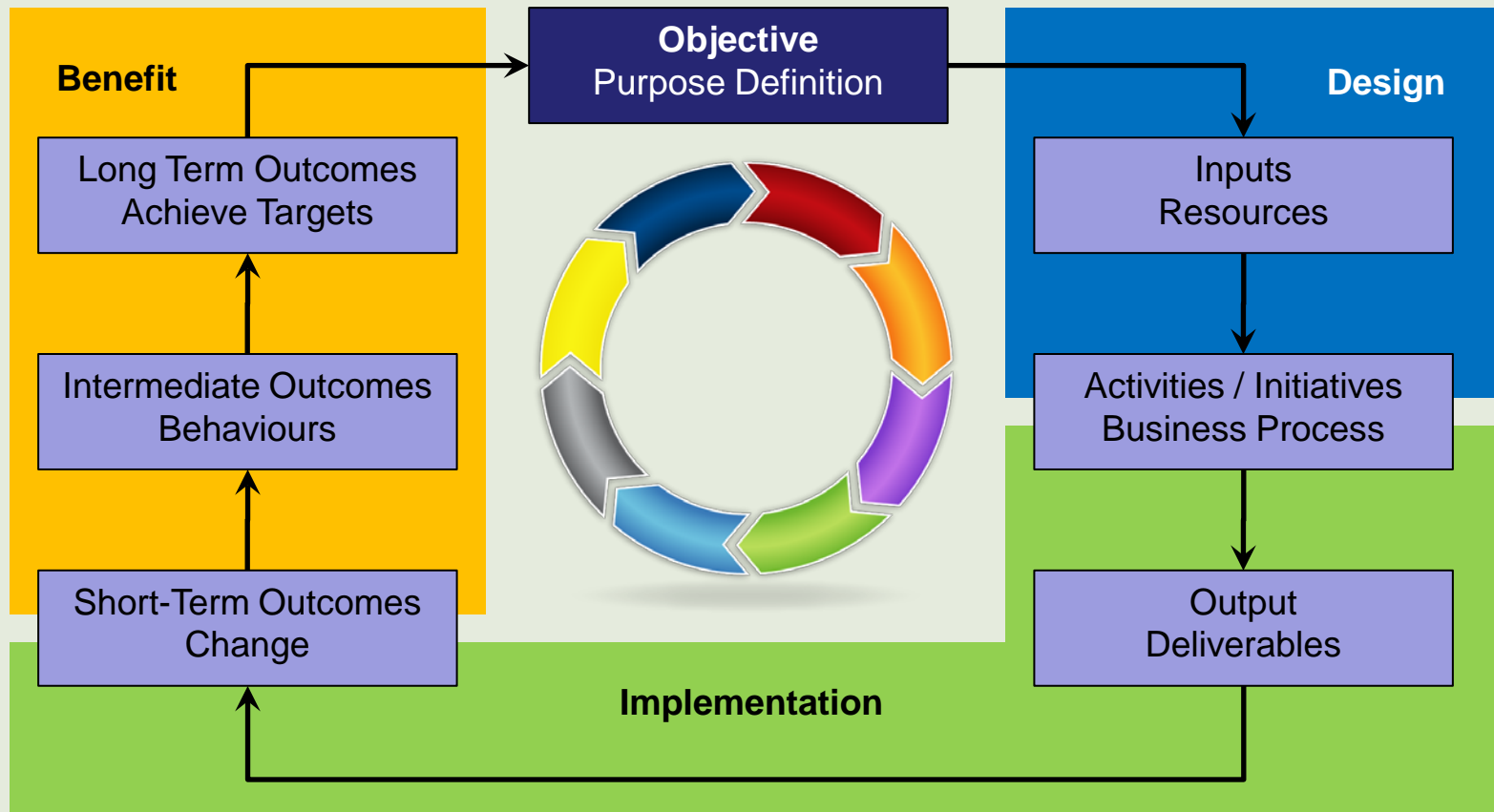
## **Implementation**

How well is business delivering to these outcomes?

## **Benefit**

Are the outcomes achieved?

# Business lifecycle



# Internal Audit focus

## Compliance

- Substantive testing
- Historical focus
- Fact based
- Inefficient
- Limited assurance (if any)

## Controls

- Business process design & operation testing
- Current state focus
- Risk based
- Efficient
- Reasonable assurance

## Outcomes

- Lifecycle design & logic testing
- Future state focus
- Opportunity based
- Effective
- Formative insights

# Work programme examples

Compliance

Controls

Outcomes

Sensitive expenditure

Enterprise risk management

Professional learning & development redesign

Disaster recoverability

New teachers' payroll

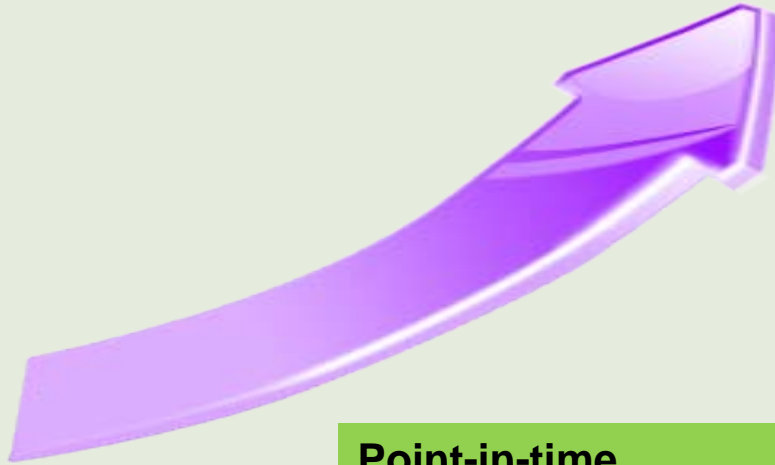
Student achievement function

Early childhood participation programme

Positive behaviour for learning programme

# Return on audit investment

**Value**



## Ex-post

- benefit assurance
- post mortem
- lessons learnt

What happened?

## Point-in-time

- real time assurance
- progression to plan
- delivery effectiveness
- milestone assurance
- remedial actions

How is it going?

## Ex-ante

- foundational assurance
- intervention logicity
- capability & capacity
- governance & management
- resource planning
- performance metrics
- policy frameworks
- future state control design
- interdependencies
- risk profiling & mitigations
- change principles
- stakeholder engagement

Will it succeed?

# Ten things to consider

## 1 (Re)set expectations

- Who are your customers and what do they want from Internal Audit?
- How has Internal Audit been used historically and how should it be used for the future?
- What is the standing of Internal Audit with the chief executive and second tier managers?
- Establish the value proposition of auditing for outcomes

*Outcome – IA has the mandate for change*

# Ten things to consider

## 2 (Re)define the audit universe

- Identify priority outcomes and key initiatives that support their achievement
- Identify mission critical business-as-usual activities
- Establish a balanced work programme
- Understand timing, interdependencies and business owners
- Evaluate risk factors and nature of IA intervention required
- Secure executive support and ratification

*Outcome – IA is focused on the right things*

# Ten things to consider

## 3 (Re)programme the work plan

- Timeslot planned work against initiative milestones
- High level scope and objectives for each IA intervention
- Depth vs breadth of scope vs resource availability
- Long-term planning horizon for visibility of coverage and priority
- Short-term planning horizon for resourcing and delivery

*Outcome – IA is focused on the right things at the right time*

# Ten things to consider

## 4 (Re)assess and develop capability

- Determine competencies required to deliver work programme
- Demand, rather than supply, should drive nature of work
- Procure supplementary resources through strategic partnering
- Create environment for professional growth to attract high calibre staff

*Outcome – IA has the right skills at the right time*

# Ten things to consider

## 5 Get involved early

- Maintain regular contact with managers responsible for key initiatives or mission critical business activities
- Relationships matter – build trust and confidence by sharing insights voluntarily and regularly
- Be present and responsive

*Outcome – IA is proactive*

# Ten things to consider

## 6 Engage customers bilaterally

- Sponsor needs (assurance & insights) may differ from management needs (advisory & consulting)
- Agree terms of reference with linkage to priority outcomes to underpin importance of engagement
- Keep customers informed throughout engagement to manage expectations

*Outcome – IA is customer focused and strategically relevant*

# Ten things to consider

## 7 Ask the right questions

- Knowledge of the business is pivotal – develop information thirst
- Legacy knowledge may be asset or barrier – differentiate through corroboration
- Locate and use subject matter experts
- Don't lose sight of the forest (outcomes) for the trees (inconsequential small stuff)

*Outcome – IA is insightful and pragmatic*

# Ten things to consider

## 8 Maintain professional standards

- Audit programming at a high level – professional judgement
- Work done and conclusions reached must be evidential
- Conformance with TOR except where varied
- Clarity of criteria, observations, impact and recommendations is paramount

*Outcome – IA does the right things the right way*

# Ten things to consider

## 9 Make every engagement count

- Quality over quantity *every time*
- Distil audit findings into key insights relevant to priority outcomes
- Brand your reports, which are enduring legacies of your work
- Timeliness matter
- Remedial action plan to sponsor, but agree report with management
- Obtain customer feedback

*Outcome – IA delivers high quality and impactful audit outcomes*

# Ten things to consider

## 10 Leverage insights across the enterprise

- Recurring insights indicate systemic opportunities
- Thematic papers to summarise emerging trends, issues and risk factors that inform executive intervention with urgency
- Lessons are valuable if they are shared and lost if unshared
- Engage peers in sister agencies to cover shared outcomes where feasible

*Outcome – IA delivers strategic value*

# Summary

- It is a question of focus first and foremost – not much point auditing irrelevance really well
- Know your stakeholders and their expectations – don't be afraid to change them
- Capability is a critical ingredient – high stakes
- Inclusiveness and relationships are vital – you won't get far without the trust and confidence of staff and management
- Get involved early – for maximum impact (and risk)
- Balance your work programme between core business and change initiatives
- Be **BOLD**